

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of:	Boudouris et al
Application No.:	09/990109
Filed:	November 21, 2001
For:	Magnetic Substrates, Composition and Method for Making the Same
Group Art Unit:	1733

Mail Stop _____
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Docket No.: M112.2-10064-US01

DECLARATION UNDER 37 C.F.R. §1.132

I, Mike Nelson, attest and say as follows:

1. I have been employed by Glatfelter Paper, Spring Grove, PA, and currently hold the position of Director of Sales and Marketing for Glatfelter Paper. For the past five (5) years, I worked at Mead Corporation as a Marketing Manager before becoming Director of Sales and Marketing at Meadwestco, and then becoming Business Director of Engineered Products Group at Glatfelter. My previous experience also includes 10 years at 3M in the printing and publishing holding positions from sales representative to Original Equipment Manager. I graduated from UW-Stout with a B.S. in Business Administration. In addition, I have a MBA from Loyola, Chicago and a Certificate in Business Excellence from Columbia Business School.
2. Glatfelter Paper is the current licensee of a license agreement which MagnetNotes, Ltd. entered into with MeadWestvaco. After signing the license agreement with MagnetNotes, Ltd., MeadWestvaco sold the division which manufactured the product made according to the licensed process to Cerberus Holding Company, which formed Newpage, a paper company. Newpage subsequently sold its carbonless paper division which manufactured the product made according to the licensed process, to

Chillicothe, which was subsequently purchased by Glatfelter Paper. Each time the portion of the business manufacturing the product by the licensed process was sold to a buyer, the buyer became the licensee. Thus, Glatfelter Paper is now the licensee of the license with MagnetNotes, Ltd., for the process covered by claim 1 of US Patent Application Serial No. 09/990,109.

3. Glatfelter Paper is a highly respected global company with annual sales of approximately \$1.1 billion dollars.
4. Based on my experience, I am qualified as skilled in the magnetic papers art.
5. The process licensed by Glatfelter Paper is covered by the scope of claim 1 of US Patent Application Serial No. 09/990,109, which claim is the following:

Claim 1

A process of forming a magnetic assembly having at least one magnetic layer having dimensions of thickness, width and length, and at least one printable substrate layer having dimensions of thickness, width and length, comprising the steps of:

- a) providing a magnetic hot melt composition at an elevated temperature, with an extruder, said magnetic hot melt composition comprising about 75 wt-% to about 95 wt-% of at least one magnetic material and about 5 wt-% to about 25 wt-% of at least one thermoplastic polymer; and
- b) directly applying said magnetic hot melt composition with a slot die head at an elevated temperature when it is pliable to a printable substrate layer, the printable substrate layer formed of paper, paper products or paste board.

6. I am familiar with the process by which Glatfelter Paper produces its products. I confirm from personal knowledge that the process licensed and practiced by Glatfelter Paper is encompassed by claim 1 as quoted above. The Glatfelter Paper product is produced using a magnetic hot melt composition in which a magnetic material constitutes between 75 wt-% and 95 wt-% of the formulation, and one thermoplastic copolymer constitutes over 5 wt-% of the formulation. The magnetic hot melt composition with a slot die head is applied at an elevated temperature when it is pliable directly to a printable

substrate layer. The printable substrate layer is formed of paper, paper products or paste board.

7. MeadWestvaco conducted a prior art search and reviewed U.S. Patent Application Serial No. 09/990,109 before entering into the license agreement with MagnetNotes, Ltd. MeadWestvaco determined that one significant benefit of the process described and claimed in claim 1 of U.S. Patent Application Serial No. 09/990,109, is that it allows magnets to be processed like paper, unlike other prior art processes. The use of a direct contact slot die extrusion coating system, coupled with the proper hot melt formula provides dramatic gains in productivity, flexibility, and economics. The application method employed allows the magnetic composition recited in claim 1 to be applied in wider coats, and at a fast rate, not allowed by currently available methods. Other benefits of the magnetic hot melt composition of claim 1 of U.S. Patent Application Serial No. 09/990,109, are that 1) high loading percentages of ferrite into the polymer chains can be achieved without creating brittleness, 2) the magnetic hot melt composition has a high magnetic strength, 3) when the magnetic hot melt composition is in a molten state, it adheres strongly to any substrate but, when it is cool, it is not tacky and 4) when the magnetic assembly is placed on a surface, like a refrigerator, the magnetic hot melt polymer does not migrate or bond to the surface over time. Another benefit of using the process described and claimed in claim 1 of U.S. Patent Application Serial No. 09/990,109, is that a coating down to 3 mils of thickness can be applied while the thickness of the coatings in prior art processes could not practically go below 10 mils of thickness. Using a thinner coating allows longer production rolls, which translate to greater economics. In addition a thinner coat is better because most printing equipment cannot be used to print on a magnetic assembly (magnetic layer and printable substrate layer) that is over 12 mils of overall thickness.

8. Because of the benefits discussed in paragraph 7 above, MeadWestvaco Corporation entered into a license agreement with MagnetNotes, Inc. on January 1, 2003. MeadWestvaco sold the division making licensed product to Cerberus Holding Company which formed Newpage, a paper company. Newpage sold its carbonless paper company,

which made the licensed product to the Chillicothe which was purchased by Glatfelter Paper.

9. Under the license agreement directed to claim 1 of US Patent Application Serial No. 09/990,109, the licensee paid an initial payment of 1.5 Million Dollar to Magnet Notes, Inc.

10. From January 1, 2003 to December 31, 2005, the licensee was required to pay a royalty payment to MagnetNotes Ltd. of 13.5% of their net sales up to and including the first 40 million thousand square inches (hereinafter MSI) of product annually; 16.2% of their net sales in excess of 40 million MSI of product up to and including 120 million MSI of product annually; and 19.4% of their net sales in excess of 120 million MSI of product annually. Under the license agreement, the minimum royalty payment for 2004 (year 2 of the license agreement) was \$500,000 and the minimum royalty payment for 2005 (year 3 of the license agreement) was \$1,000,000.

11. Under the license agreement MagnetNotes, Ltd was paid royalties of \$1,000,000 for 2003; \$1,000,000 for 2004; and \$1,000,000 for 2005.

12. From January 1, 2006 to December 31, 2008, Glatfelter Paper is required to pay a royalty payment of 8.5% of their net sales up to and including the first 40 million MSI of product annually; 10.2% of their net sales in excess of 40 million MSI of product annually, up to and including 120 million MSI of product annually and 12.25% of their net sales in excess of 120 million MSI of product annually. Under the license agreement, the minimum royalty payment for 2006-2008 (years 4-6 of the license agreement) shall be no less than \$2,000,000.

13. In my opinion, the licensed process offers significant advances over prior technology giving Glatfelter Paper competitive advantages in traditional markets, as well as in markets where magnetic assemblies were not otherwise considered feasible due to economics or processability.

14. The competitive advantage can be seen by a steady increase in sales and tons sold in North America, South America, the Caribbean and the West Indies. Since 2003, total sales of product made by using the process of claim 1 have increased from \$75,000 to estimated sales in 2006 of \$6,000,000. The table set forth below shows different criteria by which the commercial success of the product made by claim 1 can be measured. Glatfelter Paper believes that the licensed product is a commercial success, and fully expects sales of products made by the licensed process to continue to grow in the future. In my opinion, the increase in sales is due to the process of claim 1 of US Patent Application Serial No. 09/990,109.

	2003	2004	2005	2006 (Estimated)
Tons Sold		Approx. 400	877	1200
Sales	\$75,000	\$1.7 Million	\$4.9 Million	\$7 Million

15. Glatfelter Paper has spent, at most, an average of \$1 Million a year in to consumer advertising with an approximate amount of \$2.5-3 Million spent on to consumer advertising over a three (3) year period. This amount spent on advertising is less than 50% the amount typical spent on advertising for a product launch.

16. In my opinion, because the amount spent on advertising is less than is typically spent on advertising for a product in this industry, the success of the product made by the process of claim 1 of US Patent Application Serial No. 09/990,109 is not due to advertising. In my opinion, the commercial success of the product is a direct result of the unique characteristics of the process recited in claim 1.

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All statements made herein of my own knowledge are true; all statements made on the information and belief are believed to be true; and all the foregoing statements were made with the knowledge that willful false statements and the like are punishable by fine or imprisonment or both, under § 1001 of Title 18 of the United States Code, and that such willful false statements may jeopardize the validity of this application and any registration resulting therefrom.

Date:

5-24-06

Signed:

Mike Nelson
Director of Sales and
Marketing
Glatfelter Paper